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Chairman: Mr. Ashe ..... (Antigua and Barbuda)
Acting Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. Saha

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Agenda item 122: Review of the efficiency of the administrative and financial functioning of the United Nations (*continued*)

Contribution made by the Department of Management to the improvement of management practices, and time-bound plan for the reduction of duplication, complexity and bureaucracy in the United Nations administrative processes and procedures

The meeting was called to order at 10.05 a.m.

Agenda item 121: Financial reports and audited financial statements, and reports of the Board of Auditors (*continued*) (A/60/5/Add.5, A/60/113 and A/60/387)

1. **Mr. Hillman** (United States of America), referring to the report of the Board of Auditors on voluntary funds administered by the United Nations High Commissioner for Refugees (A/60/5/Add.5), said that the United States appreciated the measures taken by UNHCR in June to stabilize its finances but believed that further action was needed to ensure that it did not jeopardize its future by continuing to deplete its reserves. The significant amount maintained in accrued but unfunded liabilities for end-of-service and post-retirement benefits was a source of concern; $336 million in long-term liabilities was an enormous burden for a voluntarily funded organization and might prove devastating. His delegation looked forward to reviewing the steps to be taken by UNHCR and the United Nations Secretariat, in accordance with the recommendations of the Board of Auditors.

2. With regard to the dramatic 21.7 per cent increase in staff costs mentioned in chapter II, paragraph 50, of the report, clarification as to how much of the increase was attributable to the various factors mentioned would be appreciated. His delegation had been surprised to learn from paragraph 88 that investment and cash-management decisions were not segregated. UNHCR needed to correct the situation immediately, including by segregating bank-account-related duties between its Finance and Treasury Sections, as recommended in paragraphs 90 and 91 of the report.

3. The cases of fraud and presumptive fraud brought to the Board's attention were troubling; details of the measures taken or planned by UNHCR would be welcome, as would additional information about the current disposition of the problem of fraudulent medical claims.

4. Turning to the report of the Board of Auditors on the implementation of its recommendations relating to the biennium 2002-2003 (A/60/113), he said that full implementation of previous recommendations was essential to effective oversight; the update from the Board on the efforts of 15 organizations to implement such recommendations was therefore welcome. His delegation acknowledged the 46 per cent implementation rate achieved over the past three bienniums despite the dramatic rise in the total number of recommendations, but was concerned by the rise in the percentage of recommendations not implemented at all. It joined the Board in calling upon the organizations concerned to intensify their efforts in that regard. In its resolution 52/212 B the General Assembly had endorsed proposals by the Board for improving the implementation of recommendations. Further improvements were needed, and the Secretary-General should consider carefully the role to be played by the proposed independent oversight advisory committee. The Board's views on that proposal would be welcome.

5. The United States shared the Board's concern, expressed in paragraph 46 of the report, about the failure to undertake a physical inventory of the United Nations office at Vienna since April 2004, and would like to know when the Secretariat planned to address the Board's recommendations in that regard. It strongly supported the recommendation in paragraph 137 calling upon the Secretariat to expedite the implementation of anti-fraud and anti-corruption mechanisms. It had been surprised to learn from paragraph 499 that the discrepancy, at the United Nations Environment Programme of over $6 million between the summary statement and the physical inventory report still existed. It would like to know the current status of the reconciliation project expected to be completed by the end of 2005.

6. The United States shared many of the Board's concerns regarding the Office for Project Services, including the continuing risk of budget overruns. It would welcome information about how the issue was to be addressed (para. 616) and further information about the integrity of financial data (para. 629) and end-of-service and post-retirement liabilities (para. 643).

7. **Mr. Ammar** (Libyan Arab Jamahiriya) said that his delegation welcomed the Board's recommendations on the voluntary funds administered by UNHCR and the related report and recommendations of the Advisory Committee on Administrative and Budgetary Questions contained in document A/60/387. There must be greater transparency at all stages of the implementation of those recommendations, for failure to comply with the rules was always a grave matter. The 46 per cent implementation rate was commendable, but it was important for all of the

Board's recommendations to be implemented rapidly. His delegation regretted the late issuance of the reports, which had impeded their proper consideration.

8. **Mr. Al-Batawi** (Iraq) said that his delegation also regretted the late issuance of the documents. However, it appreciated the fact that the Board had submitted three reports in a consolidated paper, in accordance with the recommendations of the General Assembly and ACABQ. The 46 per cent implementation rate was indeed commendable, and the fact that 235 recommendations had been implemented gave some ground for optimism. There was, however, a need for close monitoring of the steps taken to implement the 44 recommendations on which no action had yet been taken. Information about the reasons for the delay would be welcome.

Agenda item 132: Report of the Secretary-General on the activities of the Office of Internal Oversight Services (A/60/346)

9. **Ms. Ahlenius** (Under-Secretary-General for Internal Oversight Services), introducing the report of the Secretary-General on the activities of the Office of Internal Oversight Services (A/60/346), said that section I of the document began with a status report based on the self-evaluation conducted by the Office of Internal Oversight Services (OIOS) in 2004. The three key goals identified, which were outlined in paragraph 2 of the report, were being implemented. Of particular importance to OIOS was the issue of ensuring its independence in line with its mandate and with best practices in terms of oversight. Section I also gave statistics on the quantitative impact of OIOS recommendations. Some 36 per cent of the 2,167 recommendations issued during the reporting period were classified as critical to the Organization. The 43 per cent increase in the number of recommendations issued was due to an increase in oversight activities. As at 30 June 2005, some 50 per cent of all recommendations and 43 per cent of critical recommendations had already been implemented. Information about critical recommendations issued before July 2004 whose implementation had not been completed by June 2005 was contained in annex II. Full implementation of the OIOS recommendations could result in savings and recoveries estimated at $35.1 million; the actual savings and recoveries totalled $18 million, including those realized in the reporting period but resulting from recommendations made in previous years. Annex III explained the Office's guidelines for measuring the impact of the economies and savings generated by its recommendations.

10. Section II was organized by risk areas identified by OIOS for 2005. The Office also gave an assessment of the audits of three prominent clients: UNHCR, the United Nations Joint Staff Pension Fund and the United Nations Compensation Commission. The Office had also undertaken a risk assessment of the tsunami relief operations, and ways of improving the coordination and administration of the United Nations relief effort had been identified.

11. The investigations of peacekeeping operations had found serious cases of sexual exploitation and abuse and a need for increased prevention and detection. As a result, the Office had received additional resources to handle such cases promptly, in collaboration with the Department of Peacekeeping Operations and troop-contributing countries. The Office had also examined procurement by peacekeeping missions and the risks associated with major construction and facilities management under the capital master plan, as well as allegations of corrupt behaviour by United Nations staff, accountability for theft of United Nations property and collusion between United Nations staff and vendors.

12. Section III highlighted the Office's current strategic activities. OIOS continued to take action to improve its services, and fully supported the external evaluation of the Organization's auditing and oversight system mandated in the 2005 World Summit Outcome.

13. **Mr. Yoo** Dae-jong (Republic of Korea) said that his delegation took note of the substantial role played by OIOS in identifying $35 million in recommended savings and achieving actual savings of $18 million.

14. General Assembly resolution 59/272, the Office's self-evaluation in 2004, the Independent Inquiry Committee headed by Paul Volcker and the 2005 World Summit Outcome all called for strengthening the independence of OIOS and equipping it with the capacity to carry out its mandate. Furthermore, the Office's current fragile situation illustrated the urgent need to ensure its operational independence. The Secretary-General should make recommendations on the question as early as possible in the current session, as mandated in the outcome document.

15. In relation to peacekeeping operations, OIOS had been monitoring its risk management framework regularly in order to focus its resources on those areas most exposed to mismanagement. His delegation would like to know how the shifting of manpower and resources actually took place when changes in risk areas were identified, and it requested the Under-Secretary-General to exercise proper authority in making such shifts efficiently. Since the three main functions in the Office's internal division of labour (auditing, monitoring/evaluation/consulting and investigation) were stretched across the globe, it was vital to ensure that the chains of command were firmly established and that the Office maintained its command function at Headquarters. He hoped that the lessons learned from audits and investigations would be imparted to the various OIOS divisions and used for consultation and training purposes throughout the Organization.

16. **Ms. Kuroda** (Japan) said that while the implementation of roughly half of the 2,167 recommendations made in 2004 and 2005 was commendable, utmost efforts must be made to implement all the outstanding recommendations, especially those designated in paragraph 11 of the report as being of greatest concern to OIOS. Her delegation welcomed the information contained in annex IV, which would enhance the transparency and accountability of the Office's work. It expected OIOS to play an active role in improving the Organization's management, transparency and accountability and to set an example in that regard.

Agenda item 122: Review of the efficiency of the administrative and financial functioning of the United Nations

Agenda item 132: Report of the Secretary-General on the activities of the Office of Internal Oversight Services (*continued*)

Report of the Office of Internal Oversight Services on the inspection of programme and administrative management of the subregional offices of the Economic Commission for Africa (A/60/120)

17. **Ms. Ahlenius** (Under-Secretary-General for Internal Oversight Services), introducing the report of OIOS on the inspection of programme and administrative management of the subregional offices of the Economic Commission for Africa (ECA) (A/60/120), said that the purpose of the inspection had been three-pronged: to review and assess the implementation of the offices' mandates, pursuant to Commission resolution 828 (XXXIs); to ascertain whether effective coordination mechanisms existed between the offices, ECA and the regional economic communities; and to assess the status of management in each subregional office.

18. The subregional offices were a vital part of ECA: their analyses of subregional conditions and issues contributed to policy deliberations. Yet they were weak in performing their role as facilitators of subregional economic cooperation and integration and as centres for policy dialogue, and OIOS felt that their mandated core functions should be supported by adequate resources. The inspection had also concluded that their actual role in providing policy analysis and technical assistance was not clear, their outreach in the subregions was limited, exchanges of expertise and best practices among them were haphazard and the support received from ECA headquarters was insufficient. That, in turn, weakened the subregional offices' capacity to support regional economic communities. The offices' impact could, however, be enhanced through more focused programming of their activities, creative dissemination of information (particularly by electronic means) and better horizontal and vertical coordination.

19. OIOS believed that the subregional offices should align their staff expertise more closely with subregional priorities and should maintain staff strength at the budgeted levels. Reliable mechanisms for cooperation and coordination among them and between them and ECA headquarters should be put in place and administrative support to them should be strengthened. Initiative, flexibility and multidisciplinary teamwork should be promoted, programme delivery should be periodically reviewed and most importantly, their operational resources and information technology capacity should be strengthened.

20. The inspection had given rise to 15 recommendations aimed at: (a) enhancing the effectiveness of the subregional offices' programme delivery; (b) strengthening their capacity and improving coordination and collaboration between them and the Commission's substantive divisions;

(c) energizing their outreach in the respective subregions; and (d) enhancing their value for United Nations development agencies in the subregions. It was encouraging to note that the Commission management, whose comments on the draft report had been taken into account in the preparation of the final report, had shown a commitment to implementing the recommendations in full.

Agenda item 121: Financial reports and audited financial statements, and reports of the Board of Auditors (*continued*)

Agenda item 122: Review of the efficiency of the administrative and financial functioning of the United Nations (*continued*)

Measures to strengthen accountability at the United Nations (A/60/312 and A/60/418)

Agenda item 122: Review of the efficiency of the administrative and financial functioning of the United Nations (*continued*)

Contribution made by the Department of Management to the improvement of management practices, and time-bound plan for the reduction of duplication, complexity and bureaucracy in the United Nations administrative processes and procedures (A/60/342 and A/60/418)

21. **Ms. Hurtz-Soyka** (Office of the Under-Secretary-General, Department of Management) introduced the Secretary-General's report on measures to strengthen accountability at the United Nations (A/60/312), which had been prepared pursuant to General Assembly resolution 59/272. Measures were presented under the thematic headings of strengthening the accountability framework; strengthening the oversight mechanisms; ensuring ethical conduct; and enhancing transparency. The report also described the progress made on indicating time frames for the implementation of the recommendations of oversight bodies and contained an analysis of the Secretariat's experiences with audit committees.

22. The report showed the status of those initiatives as at July 2005. Measures taken to strengthen the accountability framework included the reconstitution of the Accountability Panel as the Management Performance Board, the improvement of executive-level decision-making and the introduction of mandatory induction programmes for senior officials. The Management Performance Board would strengthen the internal system of accountability for programme managers, including their accountability for achieving objectives contained in their human resources action plans. The two new executive committees — the Management Committee and the Policy Committee — were meeting regularly. They not only clarified responsibilities for critical tasks, but also followed them up in a timely manner. How those mechanisms fitted into the overall accountability framework was illustrated in annex I of the report.

23. The report also highlighted measures being taken to ensure ethical conduct. The Secretary-General had announced his intention to create an Office of Ethics, further details of which would be provided. The Office would be responsible for implementing a system-wide code of ethics for all United Nations personnel. Other measures in that regard included extending the requirements for financial disclosure by senior officials; improving protection against retaliation for exposure of wrongdoing or reporting of irregularities or misconduct; and enhancing codes of conduct and conflict-of-interest rules.

24. Introducing the Secretary-General's report on the contribution made by the Department of Management to the improvement of management practices, and time-bound plan for the reduction of duplication, complexity and bureaucracy in the United Nations administrative processes and procedures (A/60/342), she said that the first part of the report focused on 23 improvements in management practices implemented by the Department, which had led to a more efficient and/or productive approach to financial and administrative processes during the period January 2003-June 2005. The report dealt with three main areas: (a) centralized support services, (b) human resources management and (c) budgetary and financial management. Descriptions of how the measures worked in practice had been provided so that their benefits could be better understood.

25. The second part of the report provided a review of steps taken to reduce duplication, complexity and bureaucracy, with the inclusion of specific time frames. The Department had undertaken the measures in pursuance of the relevant OIOS recommendations. Projects had been launched to streamline the travel claims process, to automate dependency allowances

and education grants, to introduce employee self-certification of rental subsidy and dependency allowances and to implement a central registry for computerized systems.

26. The measures represented only the beginning of the process. The Department expected to identify a number of additional areas where duplication could be overcome. Meanwhile, significant progress had been made. Many of the issues covered by the report would, however, be affected by the decisions contained in the 2005 World Summit Outcome. She assured the Committee that the Secretariat was fully committed to further improving management practices and strengthening accountability throughout the Organization, in the interest of an accountable, transparent and productive United Nations.

27. **Mr. Saha** (Acting Chairman of the Advisory Committee on Administrative and Budgetary Questions) said that accountability was of the utmost concern to ACABQ. The Secretary-General's report (A/60/312) had been drafted some months earlier and much of its content had been overtaken by events, including the 2005 World Summit.

28. In its report (A/60/418), ACABQ raised a number of questions relating to the establishment of the United Nations Oversight Committee. The terms of reference, composition and working methods of such a committee would need to be revisited in the light of any decisions that the General Assembly might take on the follow-up to the World Summit Outcome. As for the contribution made by the Department of Management to the improvement of management practices, ACABQ noted a conspicuous lack of quantification, especially of the impact of the measures taken. He drew attention to the Advisory Committee's observations on the importance of the management policy function in its report on the proposed programme budget for 2006-2007 (A/60/7, chap. II, para. VIII.10).

29. As for the "time-bound plan", the Secretary-General's report provided merely a status update on some of the issues identified by OIOS rather than a plan for an Organization-wide approach to overcoming duplication or a review of working practices and procedures. A comprehensive follow-up report should be submitted to the Assembly at its sixty-first session.

30. **Ms. Galvez** (United Kingdom), speaking on behalf of the European Union, the acceding countries (Bulgaria and Romania), the candidate countries Croatia and Turkey, the countries of the stabilization and association process (Albania, Bosnia and Herzegovina, Serbia and Montenegro and the former Yugoslav Republic of Macedonia) and, in addition, Iceland, the Republic of Moldova and Ukraine, said that effective action on transparency in the United Nations was overdue. The European Union was pleased with the positive efforts that had been made but requested further information on the specific time lines for the introduction of all the measures described with effective mechanisms to ensure enforcement, both in the Secretariat and throughout the United Nations system. Since senior-level engagement in assessing and monitoring programme delivery and performance was fundamental to ensuring accountability, the European Union welcomed the establishment of the Management Performance Board, the Policy Committee and the United Nations Oversight Committee. It also welcomed the emphasis laid on appropriate training for senior mission leaders, which should be extended to all senior officials in the Secretariat and should include guidance on the role of leaders in ensuring efficient management of financial and human resources. With regard to transparency in the selection and appointment of senior officials, she asked whether the process described in paragraphs 53 and 54 of the Secretary-General's report (A/60/312), which had apparently been used recently for the selection of two high-ranking officials, applied to the selection of all under-secretaries-general, assistant secretaries-general, special representatives and mission leaders.

31. With regard to ethical conduct, the European Union considered that the more stringent rules on financial disclosure should apply to all OIOS and Procurement Service staff and to any Department of Management and mission staff who dealt with financial decisions, including staff members below the D-1 level. Moreover, the anti-fraud and anti-corruption policy should be implemented speedily. The issue had been highlighted by the Board of Auditors in 2004; it was time for action.

32. With regard to the strengthening of oversight, the European Union would have welcomed a more thorough analysis of the types of committee that existed in other organizations, with information on the range of responsibilities assigned to various committees. It would set out at a later date its position on the need for an independent oversight committee external to the Secretariat and complementary to the

United Nations Oversight Committee which would help the Secretary-General to ensure that programme managers implemented the oversight bodies' recommendations. The process of implementation needed to be speeded up and the Oversight Committee would be a valuable tool to that end. In that context, the European Union agreed with ACABQ that it was not appropriate for an internal committee to set the priorities or work plan of oversight bodies, since that could lead to conflicts of interest. The Secretariat should respond more fully to the Advisory Committee's concerns regarding the independence of the members of the Oversight Committee. In any case, it would be helpful to distinguish more clearly between the United Nations Oversight Committee and the proposed external committee, which would serve as an interface between the Secretariat and Member States. The similarity of name alone was enough to cause confusion.

33. The European Union welcomed the report contained in document A/60/342 and hoped that such reports would be submitted regularly to the Fifth Committee. The report lacked any assessment of impact, however, and the management practices described appeared to relate almost entirely to the automation of certain processes. There were other ways to improve management, whether through the redeployment of underutilized resources to areas with heavier workloads, virtual networking of expertise, sharing of best practices or identification of areas for improved working methods throughout the United Nations system. In that connection, it would be interesting to hear the views of the Secretary-General and his staff on the potential role of the United Nations System Chief Executives Board for Coordination.

34. The report of OIOS (A/60/120) gave considerable cause for concern, as it presented a catalogue of failings. The subregional offices of ECA, which accounted for 25 per cent of the Commission's regular budget funding, were supposed to play a key role in meeting the Commission's objectives at the subregional and national levels. Yet there appeared to be a serious lack of strategic direction from ECA headquarters on how the offices should be integrated into programme delivery. As a result, Member States were not getting value for money and a key part of the Organization's programme for African development was failing to deliver any benefits to African countries. The lack of specialized skills and operational experience among the offices' staff was alarming, and she wondered what criteria were applied in recruiting staff and what training programmes had been set up to develop their capacity. OIOS noted that the offices had almost no access to extrabudgetary resources, but such resources could not in any case be deployed without operationally experienced staff. The European Union would pursue its concerns in more detail with ECA during informal consultations, to ascertain what steps were being taken to get the programme back on track. Moreover, given that the report dealt with programme management rather than administrative practices or efficiency, it ought to be considered under another agenda item, possibly in conjunction with the Secretary-General's report on the implementation of the recommendations of OIOS on the management audit of the regional commissions (A/60/378).

35. **Mr. Taula** (New Zealand), speaking also on behalf of Australia and Canada, said that the Secretary-General's report on measures to strengthen accountability at the United Nations (A/60/312) enumerated a commendable range of measures that had already been undertaken prior to the 2005 World Summit Outcome. Such action would help to strengthen public confidence in the United Nations. He commended, for example, the more clearly defined role of the Management Performance Board and its focus on the performance of individual senior managers. Clearly defined responsibilities and performance expectations at all levels should be coupled with mechanisms to ensure that poor performance entailed consequences. Since effective oversight machinery was an essential part of the chain of accountability, OIOS should be strengthened and the Organization's oversight system should be subject to independent external evaluation, as agreed during the Summit.

36. The report contained in document A/60/342 fell short of what had been requested. It gave information on measures taken by specific managers in the Department of Management but said nothing about what the Department was or should be doing to develop and promote good management practices throughout the Secretariat. Yet that was the purpose for which the Management Policy Office had been established. There should be further quantification of the impact of the measures taken by the Department. Improvements in efficiency should be measured in real terms. As for the time-bound plan, the report merely summarized the status of some of the issues raised two

years earlier by the review of duplication, complexity and bureaucracy in United Nations administrative processes and procedures (A/58/211). The Secretary-General should develop the time-bound plan during the coming year.

37. **Mr. Kozaki** (Japan) said, with regard to the Secretary-General's report on measures to strengthen accountability at the United Nations (A/60/312), that the establishment of the United Nations Oversight Committee, in line with General Assembly resolution 59/272, was a positive step. However, he was disappointed that action had not been taken earlier, given the urgent and unanimous calls by Member States for an operative mechanism to ensure full and expeditious implementation of the oversight bodies' recommendations. The working groups of the past had not produced tangible results, so the newly established Oversight Committee could not be assessed until it went into operation. The Advisory Committee's comments on the subject were relevant, but the issues involved should be considered in the overall context of the 2005 World Summit Outcome.

38. With regard to the Secretary-General's report on the contribution made by the Department of Management to the improvement of management practices, and time-bound plan for the reduction of duplication, complexity and bureaucracy in the United Nations administrative processes and procedures, (A/60/342), his delegation had looked forward to learning about the policy initiatives adopted by the Department to improve and reform management in the Secretariat. To his delegation's disappointment, however, the report made no mention of those topics, nor did it clearly demonstrate a proactive approach or strategy in relation to the time-bound plan. Therefore, a comprehensive follow-up report taking fully into account the comments made should be submitted as soon as possible through ACABQ. His statement should be seen not as a criticism, but as positive encouragement given the increase in Member States' expectations and demands.

The meeting rose at 11.25 a.m.